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DEPT ALSO FOR AF/C LISA KORTE
TREASURY FOR BILL REMINGTON AND CARLOS CORREA
DEPT PASS TO MCC MALIK CHAKA

SENSITIVE
SIPDIS

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TAGS: [PGOV](#) [PREL](#) [EFIN](#) [ETRD](#) [ECON](#) [KMCA](#) [TP](#)
SUBJECT: SAO TOME & PRINCIPE - UPDATE ON MILLENNIUM CHALLENGE
THRESHOLD PROGRAM

REF: LIBREVILLE 0128

Summary

11. (SBU) Senior political leadership in Sao Tome and Principe (STP), including the president and prime minister, remain committed to the Millennium Challenge Corporation (MCC) threshold program but frustrated over what they perceive as a lack of progress. MCC Threshold Programs Director Malik Chaka traveled to STP in late March to assess progress on the three-year, \$8.66 million program. Chaka also sought to more clearly identify blockages stalling the program and decide on the best way forward. Sustained pressure and continued close coordination will be required for the current threshold program to succeed. We also recommend consideration of a Stage II Threshold Program for STP. END SUMMARY.

Meeting the President
And the Prime Minister

12. (SBU) Chaka's March 18 meeting with President Fradique de Menezes was cordial, but dealt mainly with the history of the MCC program in Sao Tome. Although the President seemed discouraged at the lack of demonstrable progress, he brightened noticeably when Chaka called him the "father of the MCC program in Sao Tome", indicating that the President's early commitment to democracy had been a key factor in Sao Tome's selection as a threshold country. De Menezes alluded to constitutional changes and a protracted political gridlock that have diminished his ability to influence government actions, but said he remains committed to the MCC program and hopeful that the current threshold program will lead someday to a full MCC Compact. Chaka said this is a worthy goal, which should be pursued quickly and diligently. Embassy Libreville Econoff accompanied Chaka on the visit.

13. (SBU) Prime Minister Rafael Branco, the president's one-time rival who is now in charge of day-to-day governance in STP, also voiced continued support for the threshold program. He encouraged Chaka and Embassy Libreville to remain engaged and build on positive momentum generated by the visit. The MCC program was "very important", Branco emphasized, and he was committed to pushing it through to successful completion. Branco told the Ambassador the same thing in February (reftel), and appears to have conveyed this message successfully to Minister of Plan and Finance Angela Viegas and other government officials.

14. (SBU) In any event, Chaka found a more positive attitude from Minister Viegas and other officials than in recent visits. In addition to the Minister of Plan and Finance, we met a half-dozen other key government figures, including the Ministers of Justice and Foreign Affairs, the directors of the Tax and Customs departments,

and the director of the Maritime Institute. Chaka consulted extensively throughout the visit with Department of Treasury Office of Technical Assistance (OTA) staff, and OTA staff participated in most of the meetings. OTA is MCC's prime implementing partner for the threshold program.

Assessment--and a Way Forward

¶5. (SBU) The visit gave all parties a chance to discuss reasons for the recent lack of progress on the threshold program. Several themes emerged. These include an incomplete understanding of the MCC process, less than optimal communications on both sides, and some changes that had been made to the original threshold program without the full knowledge of MCC headquarters staff. By week's end, all sides were able to air their concerns, and agreed on a framework to help push the process along more rapidly.

¶6. (SBU) It was agreed that there will be regular meetings between relevant OTA staff and appropriate STP government officials, including the government's official MCC coordinator. OTA staff and STP officials agreed to regular monthly meetings between OTA staff and relevant ministers. At the meetings, OTA staff will provide a monthly work plan and a list of action items that would require attention. STP officials also told us that at their request, retired U.S. Foreign Service Officer Jan Hartman, a former long-term resident of STP, would return to STP to help the STP government facilitate this process.

Public Outreach

¶7. (U) Another purpose of the visit was to increase broader public awareness in STP of the importance of the MCC program. Director Chaka visited the Port of Sao Tome and met with officials there, and also led a public information session for more than 100 people at the Brazilian Cultural Center. Both events received positive coverage in the local media.

Comment

¶8. (SBU) While we made important progress during the visit, the STP threshold program still faces serious obstacles. It is clear that OTA and the government of STP will need to redouble their efforts to work together to achieve the program's goals. The agreement for monthly meetings at senior levels, with an agreed workplan and a list of action items, is an important initiative. We should insist that the STP government keep its promise to coordinate regularly at the senior level. Both MCC headquarters and Embassy Libreville should support these efforts. Another alternative worth considering is a Stage II Threshold Program. Like other threshold programs, the objective of a Stage II threshold program is to assist a country to become eligible for MCA Compact funding by supporting improved performance on the MCC selection criteria. If the STP government is both amenable and motivated, MCC could initiate a process to assist STP develop a proposal (in partnership with MCC and other U.S. agencies) that would significantly increase the prospects of STP fully qualifying for MCA Compact assistance. END COMMENT.

¶9. (U) MCC Threshold Programs Director Malik Chaka reviewed this cable prior to transmission.

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